## NORTHWESTERN STATE UNIVERSITY UNIVERSITY OF LOUISIANA SYSTEM STATE OF LOUISIANA



MANAGEMENT LETTER =
 ISSUED DECEMBER 7, 2005

# LEGISLATIVE AUDITOR 1600 NORTH THIRD STREET POST OFFICE BOX 94397 BATON ROUGE, LOUISIANA 70804-9397

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

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## OFFICE OF LEGISLATIVE AUDITOR

STATE OF LOUISIANA BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET POST OFFICE BOX 94397 TELEPHONE: (225) 339-3800 FACSIMILE: (225) 339-3870

November 15, 2005

#### NORTHWESTERN STATE UNIVERSITY UNIVERSITY OF LOUISIANA SYSTEM STATE OF LOUISIANA

Natchitoches, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ending June 30, 2005, we considered Northwestern State University's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered Northwestern State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of Northwestern State University was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on Northwestern State University for the year ended June 30, 2003, we reported a finding relating to the university's failure to submit a document retention schedule. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

#### **Unlocated Movable Property**

Northwestern State University (NSU) identified unlocated movable property items totaling \$376,531 as a result of its annual property inventory certification procedures. Of that amount, items totaling \$67,242 were removed from the property records because these items had not been located for three consecutive years. Of the unlocated property reported on NSU's property inventory certification, the amount of unlocated computers and computer-related equipment totaled \$305,068 and the amount of audio visual equipment totaled \$30,853. In addition, a late additions report was generated from the

Protégé system of the Louisiana Property Assistance Agency (LPAA) for fiscal year 2005. The report indicated 23 items totaling \$105,935 that were tagged and reported from 13 to 183 days after the required 60-day reporting period.

Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to LPAA. Louisiana Administrative Code (LAC) 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. NSU's certification of annual property inventory, submitted to LPAA on April 8, 2005, disclosed \$21,184,925 in total movable property.

Management of NSU has not enforced and consistently applied its existing policies and procedures for reporting movable property acquisitions timely, tracking the movement of property across campus, and conducting the annual inventory. According to the property control officer, a major problem occurs when the personnel responsible for safeguarding property items fail to report items received, missing, or moved to other locations in a timely manner. Furthermore, once the annual inventory is taken and items are identified as unlocated, the property control officer either does not perform an extensive search or does not always receive timely assistance from NSU personnel to locate the items.

Failure to enforce existing policies and procedures and put forth additional effort to locate unlocated items subjects NSU's movable property to increased risk of loss and/or unauthorized use and subjects NSU to noncompliance with movable property laws and regulations. Furthermore, because of the nature of the services provided by NSU, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management of NSU should enforce and consistently apply its existing policies and procedures for reporting movable property acquisitions timely, tracking the movement of property items, and conducting the annual property inventory. In addition, management should strengthen its procedures to require more extensive searches for unlocated items and require NSU personnel to immediately respond to the property control officer's requests concerning unlocated property. Finally, management needs to devote additional efforts to locating movable property reported as unlocated in previous years and comply with all applicable requirements of LPAA. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

#### **Over-award of Federal Family Education Loans**

NSU awarded Federal Family Education Loans (FFEL) (CFDA 84.032) to its clinical nursing students in excess of annual or maximum amounts allowed. The Code of Federal Regulations, 34 CFR Part 682.603(d)(1), states a school may not certify a Stafford or Parent Loan for Undergraduate Students loan application, or combination of loan applications, for a loan amount that results in a borrower exceeding the annual or

maximum loan amounts. University personnel misinterpreted FFEL regulations for this group of students and allowed the students to receive loans during summer semesters without including the summer loans as part of the annual or maximum loan limits for a particular academic year. In late June 2005, the university became aware of its mistake and determined it had awarded loans in excess of amounts allowed to 48 students totaling \$125,705 for fiscal year 2005. The university immediately repaid the financial institutions for fiscal year 2005. However, for fiscal year 2004, the university awarded 38 clinical students \$84,353 of loans in excess of amounts allowed, which represents questioned costs.

Management of NSU should understand and comply with all applicable regulations relating to the FFEL program, particularly those relating to the annual or maximum loan amounts allowed. In addition, management should contact federal authorities to determine the appropriate corrective action relating to over-awards of FFEL in previous years. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

#### Scholarships for Disadvantaged Students Awarded to Ineligible Students

NSU awarded Scholarships for Disadvantaged Students (CFDA 93.925) to clinical nursing students that were not full-time students. Public Law 105-392, Section 737(a) specifies that a Scholarship for Disadvantaged Student (SDS) grant may be made to an eligible entity for the awarding of scholarships to any eligible full-time student. Section 737 (d)(2)(A) defines an eligible individual as an individual who is from a disadvantaged background, has a financial need for a scholarship, and is enrolled or accepted for enrollment at an eligible health profession or nursing school as a full-time student in a program leading to a degree in a health profession or nursing. A full-time student is defined in the Financial Aid section of the university catalog as a student attempting 12 or more hours. The Director of Planning, Grants, and Development for the College of Nursing considered a clinical nursing student as full-time when the student enrolled in the maximum number of nursing classes allowed for a semester, even if the student attempted less than 12 hours. Therefore, the director awarded scholarships totaling \$60,889 to 76 part-time (enrolled for 6 to 11 hours) clinical nursing students during the 2005 fiscal year in violation of program requirements. The \$60,889 is considered to be questioned costs.

Management of NSU should award SDS scholarships to only full-time students qualifying under Public Law 105-392, Section 737 (d)(2)(A). In addition, the appropriate federal authorities should be contacted to determine the corrective action that should be taken by the university relating to the questioned costs. Management did not concur with the finding and recommendation because management feels it was in compliance with the

guidelines. Management cites another portion of the definition of a full-time student which states, ". . . or is pursuing a curriculum which requires fewer hours during that semester or summer session." Management also contends that, in telephone conversations with grantor representatives, it was informed that if the statement above was the policy for nursing students, then the scholarships would be allowable (see Appendix A, page 4).

Additional Comments: The university catalog definition of a full-time student cited by management does not specifically address nursing students. Furthermore, the nursing curriculum in the university's catalog provides for 13 to 19 hours per semester and does not require any semester to be less than 12 hours. Grantor representatives informed us that the university could define a full-time nursing student at less than 12 hours; however, this policy should be in writing as noted in management's response and corrective action plan. Grantor representatives also informed us that no exemption regarding the 12-hour rule had been requested by the university.

### Satisfactory Academic Progress Not Met by Transfer Students

NSU awarded Pell Grants (CFDA 84.063) and FFEL (CFDA 84.032) to transfer students who did not meet the satisfactory academic progress requirements of the university. The Code of Federal Regulations, 34 CFR Part 668.32 (f), states that a student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards for satisfactory progress. Satisfactory academic progress is addressed in the Financial Aid section of the university catalog and is based on hours attempted and earned per semester and academic year as well as overall grade point average. The university's Student Financial Aid staff failed to review the information in the Institutional Student Information Record (ISIR) received electronically for each transfer student before awarding aid. The ISIR includes National Student Loan Data System information relating to a transfer student's academic progress at other eligible institutions and any Title IV aid received.

As a result of university staff not reviewing the ISIR for all transfer students, the university awarded \$10,418 of Pell Grants and \$22,901 of FFEL to six transfer students who had not made satisfactory academic progress. The awards total \$33,319 and are considered to be questioned costs.

Management of NSU should develop and implement policies and procedures to ensure Title IV aid is only awarded to students that meet the university's satisfactory academic progress requirements. The procedures should include a responsible individual obtaining and carefully reviewing all information available when considering a student's application for financial aid. Furthermore, the appropriate federal authorities should be contacted to determine the corrective action that should be taken by the university relating to the questioned costs. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 5).

#### Deficiencies in the University's Disaster Recovery Plan

NSU does not have an adequate disaster recovery and business continuity plan. Formal disaster recovery and business continuity plans should exist for the timely restoration of critical entity operations in the event that normal data processing facilities are unavailable for an extended period of time. In addition, the Office of Information Technology Policy Number 11 requires state entities to develop, test, and maintain disaster recovery and business continuity plans designed to ensure the availability of mission-critical services and functions in the event of a disaster or unscheduled event that would impact the agency's information technology (IT) and telecommunications systems. R.S. 44:36 also requires that public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made.

An adequate disaster recovery/business continuity plan should include, at a minimum, the following:

- A written functional plan that will allow for continued operation of critical IT services in the event of an unexpected interruption
- Routinely backing up data files, computer programs, and critical documents and storing this information offsite at a remote facility which should have the same operating systems as the university so that data can be processed and operations can continue with minimal disruption of services
- Adequately training staff and other users of the system so they understand their responsibilities in case of emergencies
- Providing a schedule for testing the plan to ensure it works as intended

Our review of the university's IT controls for fiscal year 2005 disclosed the following deficiencies in its disaster recovery/business continuity plan:

- The plan has not been approved by the university's Information Technology Advisory Council and the university president.
- Training has not been provided to Disaster Recovery Team members responsible for implementing the plan. The team does not include key personnel necessary for the successful implementation of the plan such as the university president, chief financial officer, and telecommunication personnel.
- The Human Resource System was the only IT system tested during the year. The Financial Reporting and Student Information Systems were not tested.
- Alternative manual procedures necessary for the successful implementation of the plan have not been developed and/or tested for all departments involved in the plan.

- The university has not identified, documented, and prioritized in the plan all critical data and operations.
- The plan only addresses one disaster scenario for bringing systems back online without considering the timing of events for the entire accounting and academic cycles.

University management has not placed sufficient emphasis on developing and implementing an adequate disaster recovery/business continuity plan for the university. Management's failure to develop and implement an adequate disaster recovery/business continuity plan increases the risk that in the event of a disaster, there will be an untimely or excessive delay in processing critical data and that critical data including public records may be lost. This could have a significant impact on financial accountability and could impair the ability to collect revenues, provide services, or perform other critical business functions.

Management of NSU should develop and implement a comprehensive disaster recovery/business continuity plan that allows critical operations to be reestablished and data to be restored from a alternative location within an acceptable time frame should a disaster occur. Members of the recovery team should include all necessary personnel and these personnel should be adequately trained. Finally, the plan should be periodically tested and updated as necessary to ensure it works as intended in emergency situations. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 6).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the university. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the university should be considered in reaching decisions on courses of action. The findings, which relate to the university's compliance with applicable laws and regulations, should be addressed immediately by management.

This letter is intended for the information and use of the university and its management and is not intended to be and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Steve J. Theriot, CPA Legislative Auditor

BAC:WJR:THC:dl

NSU05

Management's Corrective Action Plans and Responses to the Findings and Recommendations

NORTHWESTERN STATE UNIVERSITY	



October 12, 2005

Mr. Steve J. Theriot, CPA Legislative Auditor 1600 North Third St. Baton Rouge, LA 70804-9397

**RE:** Auditing Finding Responses

Dear Mr. Theriot:

In response to the audit finding from the statewide audit relating to Unlocated Movable Property, the university concurs with the finding and submits the following:

#### Finding: Unlocated Movable Property

Northwestern State University concurs with the audit finding, Unlocated Movable Property. These items, totaling \$376,531.00, represent <u>four</u> years of inventories. The inventory for the 2004-05 certification year for unlocated movable property was \$135,517.00. To date, this amount has been reduced to \$89,338.00. The 2003-04 inventory identified a shortage of \$117,420.00. We have located much of this property, thus, the four year total of \$376,531.00 has been reduced to \$227,664.00. We continuously make efforts to locate movable property.

Northwestern State University concurs with the finding of twenty three items being reported late. Fourteen of the twenty three items were calves. In the past, NSU would tag calves at the end of the birthing season to ensure calves were healthy and alive prior to placing the calves on the state system. This has been corrected and now calves are tagged three to five days after birth.

The remaining nine items reported late were:

- Fume hood that took three months to install. The hood was tagged immediately after installation.
- Six items (switch network and server storage) received by the Telecommunication Department. The Telecommunications Department did not notify Central Receiving of these in a timely manner.
- Polycom system that consisted of several items valued at \$49,700.00. After many attempts
  to receive a price breakdown from the manufacturer to identify which items to tag,
  assistance was sought from LPAA. LPAA advised to select the items with the greatest value
  and tag the system as one.
- The remaining item was a breakdown in Plant Services. The item was received just prior to Christmas break and was not tagged until February 28, 2005.

Northwestern State University has taken several initiatives to address the loss/identification of movable property. Among these initiatives are:

- implementation of campus wide key policy in August 2004
- installation of cameras
- the arrest of an employee and students for theft of University property
- greater emphasis by senior administration to faculty/staff regarding the importance of maintaining good records and equipment
- tagging calves three to five days after birth
- improved communications between Plant Services and other departments that receive equipment

<u>Corrective action plan</u>: We feel no corrective action is necessary due to initiatives the University has already taken.

The contact person is:

John Dilworth Northwestern State University Infirmary Building Natchitoches, LA. 71497 813-357-5701

Sincerely,

Randall J. Webb, President

RW/pw



September 21, 2005

Mr. Steve J. Theriot, CPA Legislative Auditor 1600 North Third St. Baton Rouge, LA 70804-9397

RE: Auditing Finding Responses

Dear Mr. Theriot:

In response to the audit findings from the statewide audit relating to Over-award of Federal Family Education Loans, the university concurs with the findings and submits the following:

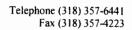
#### Finding: Over-award of Federal Family Education Loans

Northwestern State University did award Federal Family Education Loans (CFDA 84.032) to clinical nursing students in excess of annual or maximum amounts allowed. For fiscal year 2005, funds determined to be above the maximum amounts allowed were cancelled and returned to the appropriate financial institutions. The institution will contact the appropriate federal authority relating to over-awards of FFEL in previous years.

Sincerely,

Randall J. Webb, President

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September 29, 2005

Mr. Steve J. Theriot, CPA Legislative Auditor 1600 North Third St. Baton Rouge, LA 70804-9397

RE: Auditing Finding Responses

Dear Mr. Theriot:

In response to the audit findings from the statewide audit relating to Scholarship for Disadvantaged Students Awarded to Ineligible Students, the university does not concurs with the findings and submits the following:

#### Finding: Scholarship for Disadvantaged Students Awarded to Ineligible Students

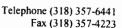
We do not concur with the finding in this audit. The reasons we do not concur are: (1) we had used the component of the current definition of "Full-Time Student" which states "... or is pursuing a curriculum which requires few hours during that semester or summer session." (University catalog, 2004-2005, p. 23), also on page 22 of the University Catalog it states that "any exception to these maximum and minimum load limits requires the prior approval of the academic dean; (2) Telephone conversations with grantor representatives in the past indicated that if this statement was the guideline that the program utilized full-time status for clinical students that that would be acceptable with the grantor; (3) The College of Nursing Scholarship Committee functioned on the premise that if a student was enrolled in the clinical courses listed within a respective semester of his/her curriculum pattern (to include didactic and clinical experience courses - which required a minimum or 12 contact hours per week), that the student was considered 'full-time' for scholarship, stipend and/or special training programs eligibility awards by the College of Nursing. Therefore, based upon the above presumptions scholarships have been awarded to students who were enrolled in less than 12 credit hours. Our failure was in not having the College of Nursing definition of full-time student approved and established in written program documents.

Corrective action plan: In order to better assist students in the future and to meet, unequivocally, the intent of the grantor guidelines, a definition of 'full-time' student for College of Nursing clinical students will be approved through University channels and established as an official program document no later than January 1, 2006. Contact persons responsible for corrective action are Maxine Johnson and Norann Planchock.

Sincerely,

Randall J. Webb, President

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September 21, 2005

Mr. Steve J. Theriot, CPA Legislative Auditor 1600 North Third St. Baton Rouge, LA 70804-9397

RE: Auditing Finding Responses

Dear Mr. Theriot:

In response to the audit findings from the statewide audit relating to Satisfactory Academic Progress Not Met By Transfer Students, the university concurs with the findings and submits the following:

#### Finding: Satisfactory Academic Progress Not Met By Transfer Students

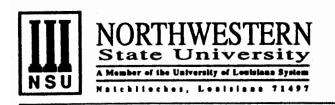
Northwestern State University did award Pell Grants (CFDA 84.063) and Federal Family Education Loans (CFDA 84.032) to transfer students who did not meet the satisfactory academic progress requirements of the University. The University has developed and implemented policies and procedures to ensure Title IV aid is awarded only to students that meet its satisfactory academic progress requirements.

A weekly report to coincide with the weekly loading of the Institutional Student Information Record (ISIR) has been created. This report indicates the students who have school code(s) listed on the students ISIR other than the University. The report is then reviewed to determine if the University has on file transcripts, as indicated by the information in the ISIR, then a code is input in the document tracking component of the Financial Aid Management System for the identified student that will generate a request for the submission of the appropriate college transcript. The Associate Director of Financial Aid & Scholarships is responsible for the maintenance of this process. The management and staff in Financial Aid will continue to improve this process.

Sincerely,

Randall J. Webb, President

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October 19, 2005

Mr. Steve J. Theriot, CPA Legislative Auditor 1600 North Third St. Baton Rouge, LA 70804-9397

RE: Auditing Finding Response

Dear Mr. Theriot:

In response to the audit finding from the statewide audit relating to Deficiencies in the University's Disaster Recovery Plan, the university concurs with the finding and submits the following:

#### Finding: Deficiencies in the University's Disaster Recovery Plan

Several versions of a disaster recovery plan have existed over the past 6-7 years. These plans have evolved into the current Continuity of Operation Plan (COOP) that is a more comprehensive document. Given the level of staff resources available, this COOP has been under development for approximately 18 months. As indicated below it was approved by the President on October 11, 2005.

<u>Corrective Action Plan</u>: The Information Systems Continuity of Operations Plan that is in compliance with the Office of Information Technology Policy 11 was approved by the Information Technology Advisory Council (ITAC) on October 10, 2005 and subsequently approved by the President on October 11, 2005. Testing and training will proceed according to the plan.

Name of Contact Person is:

Dr. Jim McCrory Northwestern State University Information Systems Natchitoches, LA. 71497 318-357-5594

Sincerely,

Randall J. Webb, President

Honder A. W.